



March 4, 2016

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Charles Grassley
Senior Member
Committee on Finance
United States Senate
Washington, DC 20510

RE: Senate Finance Committee Report, "The Price of Sovaldi and its Impact on the U.S. Health Care System"

Dear Ranking Member Wyden and Senator Grassley:

The Alliance of Community Health Plans (ACHP) appreciates the opportunity to respond to the Senate Finance Committee's request for comments on the policy issues raised in its report, "The Price of Sovaldi and its Impact on the U.S. Health Care System." We would like to thank the Committee and staff for examining the issue of drug prices and for seeking stakeholder feedback on the financial impact of high prices of breakthrough drugs, ensuring patient access and improving marketplace transparency.

ACHP is a national leadership organization that brings together innovative health plans and provider groups that are among America's best at delivering affordable, high-quality coverage and care in their communities. Our 22 member organizations provide coverage for more than 18 million Americans in the commercial market, including Marketplace plans, and for Medicare, Medicaid, and federal, state and local public employees. Our members also provide administrative services for self-insured employers. The community-based and regional health plans and provider organizations that belong to ACHP improve the health of the communities they serve and are on the leading edge of patient care coordination, patient-centered medical homes, accountable health care delivery, information technology use, and other innovations to improve affordability and the quality of care that patients receive.

Our primary objective is to ensure that patients get the drugs they need, but unsustainable rates of growth in the cost of drugs can make that a challenge for all stakeholders. ACHP and our member plans have extensively examined drug cost trends and the effect on patients, health plans, employers and federal health care programs. Information and resources from ACHP's

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1825 Eye Street, NW, Suite 401 | Washington, DC 20006 | p: 202.785.2247 | f: 202.785.4060 | www.achp.org

work on drug costs can be found on our website: <http://www.achp.org/policy-issues/prescription-drugs/>

In response to the questions posed by the report's conclusion, ACHP would like to offer feedback on two issues that are important considerations for further discussion on drug costs:

Transparency

Currently, payers in the marketplace do not have adequate information to enable them to know the cost, patient volume, and increases in efficacy of a new treatment regimen. Although market analysts will often estimate the cost of a new drug therapy prior to approval, exact pricing of a drug is not announced until after it receives FDA approval and becomes available for purchase. Patient volume is often estimated based on reported incidence and prevalence of disease, but this may not be easily identified within the payer's membership due to nuances with how a drug is used. In addition, patient volume is dependent on the exact FDA-approved indication, but again that is unknown until the drug is approved and comes to market.

The timing of the release of exact drug price information for a new therapy can also create difficulties for payers in the rate setting process and ensuring stable premiums for patients. As a recent example, premium development occurred well before the FDA-approved labeling and pricing was released for hepatitis C and PCSK9 drug classes. Health plans had to use estimates for potential patient populations and cost impacts, but if they had access to more timely and accurate data, there would have been more certainty and stability in premium development.

Given the lack of information on costs and patient volume, greater transparency could potentially address high drug prices by identifying and publicizing the actual costs for research, development, marketing and other activities such as advertising, samples, coupons, copay assistance, and patient assistance programs. Additional data elements that could be included in transparency efforts are comparative effectiveness against existing therapies and manufacturer data used to determine a launch price. Increased transparency would also allow for price disclosures that could help prescribers and patients become more informed about the cost of treatment alternatives.

Over time, greater transparency could potentially create pressures in the marketplace to moderate prices, and we think this issue deserves further discussion among stakeholders. At the very least, the increased access to information would create a knowledge base that could inform stakeholders as they explore other policy levers to address high drug prices.

The Concept of "Value"

ACHP agrees with the portion of the report that states, "The Committee should consider that cost, patient volume, and increases in efficacy ultimately speak to the concept of value...." and that "the Committee should turn its attention to ensuring that the program is getting value for the spending in Part D." Although value can be somewhat subjective, drugs do have an intended use and desired outcome that require objective measurement and quantifiable yet meaningful outcomes. Establishing a contractual agreement between payer and pharmaceutical

manufacturer, under which financial incentives are based on health outcomes, has the potential to improve medication adherence, reduce hospitalizations, slow the progression of disease, and help control both medical and drug spending. We believe value-based contracting is an idea that deserves further attention as discussions among stakeholders continue, and we look forward to engaging in those conversations.

Thank you for the opportunity to provide comments. If you have any questions or need additional information, please contact Holly Bode, ACHP's Director of Public Affairs, at hbode@achp.org.

Sincerely,

A handwritten signature in cursive script that reads "Ceci Connolly".

Ceci Connolly
President and CEO
Alliance of Community Health Plans